

**MKHAMBATHINI MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**for the year ended**

**30 June 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 30 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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D. Pillay  
Municipal Manager

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Date

**MKHAMBATHINI MUNICIPALITY**

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**MKHAMBATHINI MUNICIPALITY  
GENERAL INFORMATION**

**COUNCIL MEMBERS**

S P GOQO  
TA GWALA  
Mr. F.P. MSOMI  
MK MKHIZE  
JS MKHIZE  
E NGCONGO  
ME NGCONGO  
FJ NGUBANE  
MR NTULI  
S TOVENRATH  
B ZONDI  
M NENE

MAYOR: Mrs TE MAPHUMULO  
DEPUTY MAYOR: Mr JS MKHIZE  
SPEAKER: TZ MAPHUMULO

**GRADING OF MUNICIPALITY**

Grade 2

**AUDITORS**

Auditor General

**BANKERS**

Primary Current Account:  
Standard Bank, Pietermaritzburg

**REGISTERED OFFICE**

Civic Office	18 Old Main Road	Telephone: 031 - 7851668/184
18 Old Main Road	Camperdown	Private Bag X04
Camperdown	3720	Fax: 031 - 7851463
3720		email: ctlc @ mweb.co.za

**LOCATION**

Mkhambathini local Municipality is located along the south eastern boundary of Umgungundlovu District Municipality.

**NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

Principal activities of the Municipality is characterised by improved quality of life for its people in the areas of environment, basic services, social services and economic development. Mkhambathini Local Municipality was established in terms of section 155(1)b of the Constitution of the Republic of South Africa.

**MUNICIPAL MANAGER**

D PILLAY

**CHIEF FINANCIAL OFFICER**

GT MAGCABA

**MKHAMBATHINI MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	<b>Note</b>	<b>2008 R</b>	<b>2007 R Restated</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		13 856 793	19 353 977
Capital replacement reserve		6 267 376	5 842 473
Capitalisation reserve		3 708 472	3 943 597
Government grant reserve		1 035 435	5 970 977
Donations and public contributions reserve		7 172	8 069
Revaluation reserve		140 701	140 701
Accumulated (deficit)/surplus		2 697 637	3 448 160
<b>Current liabilities</b>		12 877 389	10 746 845
Creditors	2	597 344	2 379 306
Provisions	3	1 053 593	910 211
Bank overdraft	9	2 214 002	692 658
Unspent grants and receipts	3	9 012 450	6 764 670
<b>Total Net Assets and Liabilities</b>		<b>26 734 182</b>	<b>30 100 822</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	15 422 664	11 635 515
<b>Current assets</b>		11 311 518	18 465 307
Consumer debtors	5	448 285	306 935
Other debtors	6	417 819	312 392
VAT	7	1 955 712	1 142 916
Bank balance	9	8 487 303	16 700 664
Cash	9	2 400	2 400
<b>Total Assets</b>		<b>26 734 182</b>	<b>30 100 822</b>

**MKHAMBATHINI MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2008**

<b>Budget 2007 R</b>	<b>Budget 2008 R</b>		<b>Note</b>	<b>Actual 2008 R</b>	<b>Actual 2007 R Restated</b>
<b>REVENUE</b>					
1 088 824	1 179 144	Property rates	10	1 192 095	1 085 554
27 100	40 000	Property rates-penalties and charges		11 850	56 456
1 410	-	Rental on facilities and equipment		24 758	322
500 000	1 000 000	Interest earned - external investments		1 456 127	1 205 875
101 300	50 000	Fines		122 915	59 554
843 500	440 000	Licences and permits		983 025	801 872
18 291 804	16 907 151	Government grants and subsidies	12	13 952 037	15 773 880
		Capital grants	12	-	1 673 203
1 276 143	1 361 871	Other Income	13	1 443 841	856 050
<b>22 130 081</b>	<b>20 978 166</b>	<b>Total Revenue</b>		<b>19 186 648</b>	<b>21 512 766</b>
<b>EXPENDITURE</b>					
7 100 690	8 844 760	Employee related costs	14	8 486 273	6 527 249
2 439 335	2 442 573	Remuneration of Councillors	15	2 889 505	2 881 382
-	703 395	Depreciation		1 041 863	806 000
435 000	385 000	Repairs and maintenance		347 346	184 400
5 172 000	1 870 000	Contracted services		2 380 109	3 365 832
5 805 579	10 734 747	General expenses		8 622 982	4 033 676
-	-	Interest earned - transferred to Reserves and Unspent Grants		1 441 741	832 249
<b>20 952 604</b>	<b>24 980 475</b>	<b>Total Expenditure</b>		<b>25 209 819</b>	<b>18 630 788</b>
<b>1 177 477</b>	<b>(4 002 309)</b>	<b>(DEFICIT)/SURPLUS</b>		<b>(6 023 171)</b>	<b>2 881 978</b>
<b>1 177 477</b>	<b>(4 002 309)</b>	<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(6 023 171)</b>	<b>2 881 978</b>
Refer to Appendix E (1) for explanation of variances					

**MKHAMBATHINI MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>Pre-GAMAP Reserves and Funds</b>	<b>Capital Replacement Reserve</b>	<b>Capitalisation Reserve</b>	<b>Government Grant Reserve</b>	<b>Donations and Public Contribution Reserve</b>	<b>Revaluation Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2007</b>								
Balance at 30 June 2007 restated	0	5 842 473	3 943 597	5 970 977	8 069	140 701	4 419 122	20 324 939
Prior year error (note 23)							(970 962)	
<b>Re-stated balance at 30 June 2007</b>	<b>0</b>	<b>5 842 473</b>	<b>3 943 597</b>	<b>5 970 977</b>	<b>8 069</b>	<b>140 701</b>	<b>3 448 160</b>	<b>19 353 977</b>
<b>2008</b>								
Surplus/(deficit) for the year							(6 023 171)	(6 023 171)
Interest on external investments		525 987						525 987
Contribution to Capital Replacement Reserve								-
Property, plant and equipment (PPE) purchased				(4 565 721)			4 565 721	-
Capital grants used to purchase PPE								-
Offsetting of depreciation		(101 084)	(235 125)	(369 821)	(897)		706 927	-
<b>Balance at 30 June 2008</b>	<b>0</b>	<b>6 267 376</b>	<b>3 708 472</b>	<b>1 035 435</b>	<b>7 172</b>	<b>140 701</b>	<b>2 697 637</b>	<b>13 856 793</b>

**MKHAMBATHINI MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others		21 026 373	20 783 267
Cash paid to suppliers and employees		(27 388 193)	(18 138 669)
<b>Cash generated from operations</b>	16	(6 361 820)	2 644 598
Interest received		1 456 127	1 205 875
Cash contributions from the State		-	-
<b>NET CASH FLOW (USED IN) FROM OPERATING ACTIVITIES</b>		<b>(4 905 693)</b>	<b>3 850 473</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(4 829 012)	(3 515 208)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4 829 012)</b>	<b>(3 515 208)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		-	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(9 734 705)</b>	<b>335 265</b>
Cash and cash equivalents at the beginning of the year		16 010 406	15 675 141
Cash and cash equivalents at the end of the year	9	6 275 701	16 010 406

**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.1 BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements

GRAP 2 : Cash flow statements

GRAP 3 : Accounting policies, changes in accounting estimates and errors

GAMAP 4 : Effects of changes in foreign exchange rates

GAMAP 9 : Revenue

GAMAP 7 : Accounting for investments in associates

GAMAP 8 : Financial reporting of interests in joint ventures

GAMAP12 : Inventories

GAMAP17 : Property, plant and equipment

GAMAP19 : Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 - Gazette 30013 - exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements. A summary of the significant accounting policies, which have been consistently applied, except where an exemption has been granted, are disclosed below.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

The annual financial statements have been prepared according to the historic cost basis.

**1.4 RESERVES**

**1.4.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/deficit to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.



**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.4.2 Capitalisation Reserve**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/deficit in terms of a directive issued by National Treasury.

The purpose of this Reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**1.4.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**1.4.4 Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.4.5 Revaluation Reserve**

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**1.5 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost less accumulated depreciation, except land, which is revalued as indicated below.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives, which are reviewed annually:

<b>Infrastructure</b>	<b>Years</b>	<b>Other</b>	<b>Years</b>
Roads and Paving	10	Building	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
<b>Community</b>		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and carrying value and is recognised in the Statement of Financial Performance.

In 2006/2007 the requirements of GAMAP 17 and IAS 36 were not complied with as follows :

- Review of useful life of items of property, plant and equipment recognised in the annual financial statements
- Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognised in the annual financial statements

In 2007/2008 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1.1).

**1.6 REVALUATION OF LAND**

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 1 March 1996.

**1.7 ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.8 FINANCIAL INSTRUMENTS**

In 2006/2007 the requirements of IAS 39 were not complied with in that financial assets and financial liabilities were not measured at fair value. In addition the disclosure requirements of IAS 32 were not complied with.

In 2007/2008 these requirements have also not been complied with due to the exemption granted in Gazette 30013 (see note 1.1).

**1.9 REVENUE RECOGNITION**

In 2006/2007 revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

This policy has been followed in 2007/2008 due to the exemption granted in Gazette 30013 (see note 1.1).

**1.9.1 Revenue from Exchange Transactions**

Service charges relating to electricity are based on consumption. Meters are read monthly and charges are recognised as revenue when invoiced. Any adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

**1.9.2 Revenue from non-exchange transactions**

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.9 REVENUE RECOGNITION (continued)**

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**1.10 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

**1.11 PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

**1.12 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

**1.13 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**MKHAMBATHINI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**1.14 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.15 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.16 COMPARATIVE INFORMATION**

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**1.17 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**1.18 LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

In 2006/2007 lease expenditure was recognised in accordance with the actual cash outflows. This policy has continued in 2007/2008 due to the exemption granted in Gazette 30013 (see note 1).

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>2. CREDITORS</b>		
District Municipality	163 204	1 679 444
Trade creditors	335 627	603 562
Other creditors	98 513	96 300
<b>Total creditors</b>	<b><u>597 344</u></b>	<b><u>2 379 306</u></b>

Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

**3. PROVISIONS**

Bonus	437 446	403 768
Audit Fees	200 000	200 000
Staff Leave	416 147	306 443
	<b><u>1 053 593</u></b>	<b><u>910 211</u></b>

**3. UNSPENT GRANTS AND RECEIPTS**

**3.1 Conditional grants from other spheres of Government**

Provincial and National (see note 12)	9 012 450	6 764 670
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**3.2 Unconditional grant**

Equitable Share (see note 12)	-	-
<b>Total unspent Grants and Receipts</b>	<b><u>9 012 450</u></b>	<b><u>6 764 670</u></b>

See Note 12 for reconciliation of grants from other spheres of government.

These amounts are invested in ring-fenced investments until utilised.

Financial liabilities have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**4. PROPERTY, PLANT AND EQUIPMENT  
30 JUNE 2008**

<b>Reconciliation of Carrying Value</b>	<u>Land and Buildings</u>	<u>Infrastruc- ture</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
<b>Carrying values at 1 July 2007</b>	<b>7 638 471</b>	<b>536 243</b>	<b>2 198 317</b>	<b>1 262 484</b>	<b>11 635 515</b>
Cost	8 319 604	1 017 992	2 240 817	3 040 911	14 619 324
Revaluation	140 701				140 701
Accumulated depreciation	(821 834)	(481 749)	(42 500)	(1 778 427)	(3 124 510)
- Cost	(821 834)	(481 749)	(42 500)	(1 778 427)	(3 124 510)
- Revaluation	-	-	-	-	-
Acquisitions	1 661 123	1 249 300	1 655 298	263 291	4 829 012
Adjustments	0	0	0	0	0
Depreciation	(305 276)	(232 831)	(97 677)	(406 079)	(1 041 863)
Carrying value of disposals	0	0	0	0	0
Cost/revaluation	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0
<b>Carrying values at 30 June 2008</b>	<b>8 994 318</b>	<b>1 552 712</b>	<b>3 755 938</b>	<b>1 119 696</b>	<b>15 422 664</b>
Cost	9 980 727	2 267 292	3 896 115	3 304 202	19 448 336
Revaluation	140 701		0		140 701
Accumulated depreciation	(1 127 110)	(714 580)	(140 177)	(2 184 506)	(4 166 373)
- Cost	(1 127 110)	(714 580)	(140 177)	(2 184 506)	(4 166 373)
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.  
The effective date of the last revaluation was 1 March 1996.

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2007/2008 financial year.

This is due to the exemption granted in Gazette 30013 ( see accounting policy note 1.1 ).

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**4. PROPERTY, PLANT AND EQUIPMENT  
30 JUNE 2007**

<b>Reconciliation of Carrying Value</b>	<u>Land and Buildings</u>	<u>Infrastructure</u>	<u>Community</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>	<b>6 770 460</b>	<b>634 883</b>	<b>578 230</b>	<b>942 733</b>	<b>8 926 306</b>
Cost	7 200 219	1 014 482	578 230	2 311 184	11 104 115
Revaluation	140 701				140 701
Accumulated depreciation	(570 460)	(379 599)	-	(1 368 451)	(2 318 510)
- Cost	(570 460)	(379 599)	-	(1 368 451)	(2 318 510)
- Revaluation	-	-	-	-	-
Acquisitions	1 119 385	3 510	1 662 587	729 727	3 515 209
Adjustments					0
Depreciation	(251 374)	(102 150)	(42 500)	(409 976)	(806 000)
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
<b>Carrying values at 30 June 2007</b>	<b>7 638 471</b>	<b>536 243</b>	<b>2 198 317</b>	<b>1 262 484</b>	<b>11 635 515</b>
Cost	8 319 604	1 017 992	2 240 817	3 040 911	14 619 324
Revaluation	140 701		0		140 701
Accumulated depreciation	(821 834)	(481 749)	(42 500)	(1 778 427)	(3 124 510)
- Cost	(821 834)	(481 749)	(42 500)	(1 778 427)	(3 124 510)
- Revaluation	-	-	-	-	-

Land is stated at the values reflected in the valuation roll.  
The effective date of the last revaluation was 1 March 1996.

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used on, and did not test and account for impairment of, the assets recognised in the annual financial statements for the 2006/2007 financial year.

This is due to the exemption granted in Gazette 30013 ( see accounting policy note 1.1 ).



**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b> <b>R</b>	<b>2007</b> <b>R</b>
<b>5. CONSUMER DEBTORS</b>		
Service debtors	456 233	306 935
Less: Provision for bad debts	(7 948)	-
<b>Total</b>	<b><u>448 285</u></b>	<b><u>306 935</u></b>

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

<b>6. OTHER DEBTORS</b>		
District Municipality	-	53 470
Payments in advance	96 118	102 493
Suspense balances	-	-
Other	321 700	156 429
<b>Total Other Debtors</b>	<b><u>417 819</u></b>	<b><u>312 392</u></b>

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

<b>7. VAT</b>		
<b>VAT receivable</b>	<b><u>1 955 712</u></b>	<b><u>1 142 916</u></b>

VAT is payable on the invoice basis.

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>9. BANK BALANCES AND CASH</b>		
<u>The Municipality has the following bank account:</u>		
<u>Current Account (Primary Bank Account)</u>		
Standard Bank-Pietermaritzburg		
Account Number - 05 214 997 8		
Cash Book balance at beginning of year	(692 658)	261 768
Cash Book balance at end of year	(2 214 001)	(692 658)
 Bank Statement balance at beginning of year	 436 912	 572 681
Bank Statement balance at end of year	632 478	436 912
 <u>Cash Book balance at end of year</u>	 <u>(2 214 001)</u>	 <u>(692 658)</u>
 <u>Cash balances</u>	 <u>2 400</u>	 <u>2 400</u>
 <u>Call Deposits</u>	 <u>8 487 303</u>	 <u>16 700 664</u>
 Standard Bank -Account number 058655441	 <b>0</b>	 <b>1 710 900</b>
Standard Bank -Account number 354264338	155 248	2 805 763
Nedbank - Account number 15657361 -1997	3 924 355	3 601 243
ABSA - Account number 2063719480	0	2 344 829
FNB - Account number 74057789231	4 407 700	6 237 929

Financial assets have not been measured at fair value due to the application of an exemption granted in Gazette 30013.

**10. PROPERTY RATES**

<u>Actual</u>		
<b>Total Assessment Rates</b>	<u>1 192 095</u>	<u>1 085 554</u>
 <u>Valuations</u>		
<b>Total Property Valuations</b>	<u>14 350 700</u>	<u>1 085 554</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 March 1996. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest at 18% per annum is levied on outstanding rates, as well as a 10% collection charge two months after final date for payment.

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 R</b>	<b>2007 R</b>
<b>12. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	9 793 036	12 410 564
Provincial and National	4 159 001	3 363 316
	<u>13 952 037</u>	<u>15 773 880</u>
Capital grants	0	1 673 203
<b>Total Government Grants and Subsidies</b>	<b><u>13 952 037</u></b>	<b><u>17 447 083</u></b>
<b>12.1 Equitable share</b>		
Unspent at beginning of year	-	-
Current year receipts	9 793 036	12 410 564
Conditions met - transferred to revenue	(9 793 036)	(12 410 564)
Unspent at end of the year (see note 3)	<u>0</u>	<u>0</u>
<b>12.2 Provincial and National</b>		
Unspent at beginning of year	6 764 670	7 009 781
Current year receipts	5 491 028	4 163 001
Interest credited	915 753	628 407
Capital expenditure funded - transferred to revenue	0	(1 673 203)
Conditions met - transferred to revenue	(4 159 001)	(3 363 316)
Conditions still to be met - transferred to liabilities ( see note 3 )	<u>9 012 450</u>	<u>6 764 670</u>
<b>12.3 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>13. OTHER INCOME</b>		
Agency fees	619 241	760 158
Other income	824 600	95 892
<b>Total Other Income</b>	<b><u>1 443 841</u></b>	<b><u>856 050</u></b>
<b>14. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	7 345 274	5 618 092
Contributions to UIF,pensions and medical aids	960 352	669 104
Travel, motor car, accommodation, subsistence, housing and other allowances	60 278	62 880
Uniforms and protective clothing		-
Overtime payments	57 969	121 687
Performance bonus	62 400	55 486
<b>Total Employee Related Costs</b>	<b><u>8 486 273</u></b>	<b><u>6 527 249</u></b>

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 R</b>	<b>2007 R</b>
<b>14. EMPLOYEE RELATED COSTS (continued)</b>		
<i><b>Remuneration of the Municipal Manager</b></i>		
Annual Remuneration	288 000	288 000
Bonus	38 400	48 254
Car Allowance	36 000	41 182
Other Allowances	187 517	125 321
Contributions to UIF, Medical and Pension Funds	98 162	28 039
<b>Total</b>	<b>648 079</b>	<b>530 796</b>
<i><b>Remuneration of Manager of Financial Services</b></i>		
Annual Remuneration	142 100	282 398
Bonus	24 000	-
Car Allowance	42 000	72 000
Other Allowances	114 179	70 980
Contributions to UIF, Medical and Pension Funds	816	1 399
<b>Total</b>	<b>323 095</b>	<b>426 777</b>
<i><b>Remuneration of Manager of Corporate Services</b></i>		
Annual Remuneration	243 600	228 593
Bonus	-	7 232
Car Allowance	126 000	97 427
Other Allowances	124 143	140 364
Contributions to UIF, Medical and Pension Funds	37 371	11 216
<b>Total</b>	<b>531 114</b>	<b>484 832</b>
<i><b>Remuneration of Manager of Technical Services</b></i>		
Annual Remuneration	243 600	180 880
Bonus	-	-
Car Allowance	72 000	45 456
Other Allowances	174 519	70 688
Contributions to UIF, Medical and Pension Funds	1 440	933
<b>Total</b>	<b>491 559</b>	<b>297 957</b>
<i><b>Remuneration of Manager of Community Services</b></i>		
Annual Remuneration	239 865	-
Bonus	-	-
Car Allowance	70 896	-
Other Allowances	151 037	-
Contributions to UIF, Medical and Pension Funds	1 440	-
<b>Total</b>	<b>463 238</b>	<b>-</b>

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 R</b>	<b>2007 R</b>
<b>15. REMUNERATION OF COUNCILLORS</b>		
Mayor	431 626	469 389
Deputy Mayor	365 195	381 708
Councillors	2 092 684	2 030 285
<b>Total</b>	<b>2 889 505</b>	<b>2 881 382</b>
<b>16 CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	(6 023 171)	2 881 978
Adjustment for: -		
Depreciation	1 041 863	806 000
Contribution to provisions		-
Investment income	(1 456 127)	(1 205 875)
Investment income allocated to Reserve	525 987	203 841
Expenditure charged to provisions and reserves	143 382	-
<b>Operating surplus before working capital changes:</b>	<b>(5 768 066)</b>	<b>2 685 944</b>
(Increase)/decrease in consumer debtors	(141 350)	(74 318)
(Increase)/decrease in other debtors	(105 427)	305 156
(Decrease)/increase in unspent conditional grants and receipts	2 247 780	(245 111)
Increase/(decrease) in creditors	(1 781 962)	773 906
(Increase)/decrease in VAT	(812 796)	(800 979)
<b>Cash generated by (utilised in) operations</b>	<b>(6 361 820)</b>	<b>2 644 598</b>
<b>17 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
<b>Bank balance and cash</b>	<b>6 275 701</b>	<b>16 010 406</b>

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>18 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>18.1 Contributions to organised local government</u></b>		
Opening balance	-	-
Council subscriptions	13 242	8 194
Amount paid - current year	(13 242)	(8 194)
Amount paid - previous years		
<b>Balance unpaid</b>	<u>-</u>	<u>-</u>
<b><u>18.2 Audit fees</u></b>		
Opening balance	-	-
Current year audit fee	254 459	257 374
Amount paid - current year	(254 459)	(257 374)
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b><u>18.3 VAT</u></b>		
VAT inputs receivables and VAT outputs payable are shown in note 7. All Vat returns have been submitted by the due date throughout the year.		
<b><u>18.4 PAYE and UIF</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 722 798	1 660 386
Amount paid - current year	(1 722 798)	(1 660 386)
Amount paid - previous years		
<b>Balance unpaid</b>	<u>-</u>	<u>-</u>
<b><u>18.5 Pension and Medical Aid Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 189 270	695 123
Amount paid - current year	(1 189 270)	(695 123)
Amount paid - previous years		
<b>Balance unpaid</b>	<u>-</u>	<u>-</u>

**MKHAMBATHINI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>19 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
-Approved and contracted for	8 222 503	7 202 529
<i>Infrastructure</i>	8 222 503	7 169 529
<i>Community</i>	-	-
<i>Other</i>	-	33 000
<b>Total</b>	<b>8 222 503</b>	<b>7 202 529</b>
This expenditure will be financed from;		
-Department of Works	-	3 500 000
-Government Grants	8 222 503	3 082 765
-Own resources	-	619 764
<b>Total</b>	<b>8 222 503</b>	<b>7 202 529</b>

**20 RETIREMENT BENEFIT INFORMATION**

The personnel are members of the Natal Joint Municipal Pension Funds.

The following information has been provided in circulars dated 22 March 2007 in respect of service to 31 March 2006 :

Surplus in respect of pensioners

Deficit in respect of members

Percentage funded - in total

The Funds did not hold an investment reserve,

Retirement Fund	Superannuation Fund
R 63,4 million	R 210,0 million
R(204,3)million	R(88,3)million
87,7%	104,3%

The contributions have been expensed.

**21 RELATED PARTIES**

Name	Relationship to municipality	Amount
E Ngongo	Councillor	30 350
T A Gwala	Councillor	23 900
TZ Maphumalo	Councillor	23 750
NJ Mnguni	Community services manager	-

**22 Implementation plan to full compliance with Gamap / Grap**

The implementation plan was submitted to national treasury

Grap 16	Investment Property
Grap 17	Property ,plant and equipment
Grap 102	Intangible Assets
IAS 19	Employee Benefits

Thses sections will be implemented in the 2008/2009 financial year

**23 PRIOR YEAR ERROR**

During the current year the Municipality wrote off part of the District Municipalities loan and the effecton the line items in the prior year was as follows:

Statement of financial position

Debtors	1 497 202
Creditors	526 240
Accumulated surplus	
Opening Accumulated surplus	970 962

**APPENDIX A**  
**MKHAMBATHINI MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

EXTERNAL LOANS	Redeemable	Interest Rate	Balance at 30.06.2007	Received during the year	Redeemed during the year	Balance at 30.06.2008	Carrying Value of Property, Plant and Equipment
None			R	R	R	R	R
			0	0	0	0	0



**APPENDIX B**

**MKHAMBATHINI MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008**

	Cost /Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2008
	Opening Balance	Additions 2007/2008	Adjustments 2007/2008	Disposals 2007/2008	Closing Balance	Opening Balance	Additions 2007/2008	Disposals 2007/2008	Closing Balance		
<b>Land and Buildings</b>											
Land	551 300				551 300	-				551 300	
Buildings (Office)	5 535 530	-			5 535 530	628 265	180 583		808 848	4 726 682	-
Buildings (Library)	128 548	-			128 548	25 686	4 249		29 935	98 613	
Buildings (Community Halls,Creches)	2 244 926	1 661 123			3 906 049	167 883	120 444		288 327	3 617 722	-
	<b>8 460 304</b>	<b>1 661 123</b>	<b>-</b>		<b>10 121 427</b>	<b>821 834</b>	<b>305 276</b>	<b>-</b>	<b>1 127 110</b>	<b>8 994 317</b>	<b>-</b>
<b>Infrastructure</b>											
Roads,Streets,Taxi ranks	1 017 992	1 249 300			2 267 292	481 749	232 831		714 580	1 552 712	
	<b>1 017 992</b>	<b>1 249 300</b>	<b>-</b>		<b>2 267 292</b>	<b>481 749</b>	<b>232 831</b>		<b>714 580</b>	<b>1 552 712</b>	<b>-</b>
<b>Community Assets</b>											
Sportsfields	2 240 817	1 655 298			3 896 115	42 500	97 677		140 177	3 755 938	18 929 200
	<b>2 240 817</b>	<b>1 655 298</b>	<b>-</b>		<b>3 896 115</b>	<b>42 500</b>	<b>97 677</b>	<b>-</b>	<b>140 177</b>	<b>3 755 938</b>	<b>18 929 200</b>
<b>Other Assets</b>											
Motor Vehicles	1 082 345	-	-		1 082 345	602 209	130 381		732 590	349 755	-
Plant and Machinery/Equipment	252 104	36 969			289 073	238 437	24 864		263 301	25 772	
Fencing/Security Measures	93 923	-			93 923	85 710			85 710	8 213	
Office Equipment	983 496	226 322			1 209 818	643 546	179 534		823 080	386 738	655 000
Office Furniture & Fittings	629 044	-			629 044	208 525	71 300		279 825	349 219	110 000
<b>Total Other Assets</b>	<b>3 040 912</b>	<b>263 291</b>	<b>-</b>	<b>-</b>	<b>3 304 203</b>	<b>1 778 427</b>	<b>406 079</b>	<b>-</b>	<b>2 184 506</b>	<b>1 119 697</b>	<b>765 000</b>
	<b>14 760 025</b>	<b>4 829 012</b>	<b>-</b>	<b>-</b>	<b>19 589 037</b>	<b>3 124 510</b>	<b>1 041 863</b>	<b>-</b>	<b>4 166 373</b>	<b>15 422 664</b>	<b>19 694 200</b>

APPENDIX C

MKHAMBATHINI MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
30 JUNE 2008

	Cost					Accumulated Depreciation					Carrying Value 30.06.2008	Budget Additions 2008
	Opening Balance	Adjustments 2007/2008	Additions 2007/2008	Disposals 2007/2008	Closing Balance	Opening Balance	Adjustments 2007/2008	Additions 2007/2008	Disposals 2007/2008	Closing Balance		
Administration	8 309 465	-	263 291		8 572 756	1 724 419		406 079		2 130 498	6 442 258	760 000
Library	210 995	-			210 995	83 566		-		83 566	127 429	-
Licensing	56 299	-			56 299	48 522		-		48 522	7 777	-
Protection Services	-	-			-	-		-		-	-	-
Town Estates	6 183 266	-	4 565 721		10 748 987	1 268 003		635 784		1 903 787	8 845 200	18 929 200
<b>TOTAL</b>	<b>14 760 025</b>	<b>-</b>	<b>4 829 012</b>		<b>19 589 037</b>	<b>3 124 510</b>	<b>-</b>	<b>1 041 863</b>		<b>4 166 373</b>	<b>15 422 664</b>	<b>19 689 200</b>

**MKHAMBATHINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2008**

<b>2007 Actual Income</b>	<b>2007 Actual Expenditure</b>	<b>2007 Surplus / ( Deficit )</b>		<b>2008 Actual Income</b>	<b>2008 Actual Expenditure</b>	<b>2008 Surplus / ( Deficit )</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
<b>RATE AND GENERAL SERVICE</b>						
			<b>Community Services</b>			
1 085 554	-	1 085 554	Assessment Rates	1 192 095	-	1 192 095
668 841	3 616 386	(2 947 545)	Administration	269 267	4 185 349	(3 916 082)
973 584	3 643 711	(2 670 127)	Council	9 793 036	3 431 994	6 361 042
-	701 216	(701 216)	Municipal Manager	-	883 763	(883 763)
14 253 693	5 311 185	8 942 508	Financial Services	6 790 782	6 570 018	220 764
1 509 194	2 215 377	(706 183)	Community Services	10 388	4 282 415	(4 272 027)
1 970	211 991	(210 021)	Library	3 767	254 126	(250 359)
544 856	2 591 578	(2 046 722)	Technical Services	144 288	4 861 453	(4 717 165)
<u>19 037 692</u>	<u>18 291 444</u>	<u>746 248</u>		<u>18 203 623</u>	<u>24 469 118</u>	<u>(6 265 495)</u>
			<b>Economic Services</b>			
801 871	496 987	304 884	Licensing	983 025	740 701	242 324
<u>801 871</u>	<u>496 987</u>	<u>304 884</u>		<u>983 025</u>	<u>740 701</u>	<u>242 324</u>
1 673 203		1 673 203	Capital grants	-	-	-
<u><b>21 512 766</b></u>	<u><b>18 788 431</b></u>	<u><b>2 724 335</b></u>	<b>Total Rate and General Service</b>	<u><b>19 186 648</b></u>	<u><b>25 209 819</b></u>	<u><b>(6 023 171)</b></u>

**APPENDIX E (1)**

**MKHAMBATHINI MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>2008 Variance</b>		<b>Explanation of Significant Variances greater than 10%</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
<b>REVENUE</b>					
Property rates	1 192 095	1 179 144	12 951	1.1	
Property rates-penalties and charges	11 850	40 000	(28 150)	(70.4)	Amount was over-budgetted
Service charges	-	-	-	-	
Rental on facilities and equipment	-	-	-	-	
Interest earned-external investments	1 456 127	1 000 000	456 127	45.6	All grant funds not utilised
Fines	-	-	-	-	
Licences and permits	983 025	440 000	543 025	123.4	Due to expansion of the learners facility
Government grants and subsidies	13 952 037	16 907 151	(2 955 114)	(17.5)	All grant funds not utilised
Capital grants	-	-	-	(100.0)	
Other Income	1 591 514	1 411 871	179 643	12.7	Increase in agency fee income
<b>Total Revenue</b>	<b>19 186 648</b>	<b>20 978 166</b>			
<b>EXPENDITURE</b>					
Employee related costs	8 486 273	8 844 760	358 487	4.1	
Remuneration of Councillors	2 889 505	2 442 573	(446 932)	(18.3)	Expenditure under-budgetted
Bad debts	-	-	-	-	
Depreciation	1 041 863	703 395	(338 468)	(100.0)	Increase in additions
Repairs and maintenance	347 346	385 000	37 654	9.8	Under spent in 2006/2007 year
Interest paid	-	-	-	-	
Bulk purchases	-	-	-	-	
Contracted services	2 380 109	1 870 000	(510 109)	(27.3)	Under budgetted
Grants paid	-	-	-	-	
General expenses	8 622 982	10 734 747	2 111 765	19.7	
Interest earned - transferred to Reserves and Unspent Grants	1 441 741	-	-	-	
<b>Total Expenditure</b>	<b>25 209 819</b>	<b>24 980 475</b>			
<b>Deficit</b>	<b>(6 023 171)</b>	<b>(4 002 309)</b>			
<b>CHANGE IN ACCOUNTING POLICY</b>					
Implementation of GAMAP	-	-	-	-	
<b>DEFICIT FOR THE YEAR</b>	<b>(6 023 171)</b>	<b>(4 002 309)</b>			

**APPENDIX E (2)**

**MKHAMBATHINI MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)  
FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>2008 Variance Amount</b>	<b>%</b>	<b>Explanation of Significant Variances greater than 5 %</b>
	<b>R</b>	<b>R</b>	<b>R</b>		
<b>Land and Buildings</b>					
Office buildings	-	-	-	-	
Other buildings	1 661 123	-	(1 661 123)	-	
	1 661 123	-	(1 661 123)		
<b>Infrastructure</b>					
Roads, Streets, Taxi ranks	1 249 300	-	(1 249 300)	-	
	1 249 300	-	(1 249 300)		
<b>Community Assets</b>					
Sportsfields	1 655 298	18 929 200	17 273 902	91	All sportsfield not completed
	1 655 298	18 929 200	17 273 902		
<b>Other Assets</b>					
Motor vehicles	0	0	-	-	
Office equipment	226 322	655 000	428 678	65	Equipment purchased in 2008/2009 year
Office furniture and fittings	36 969	110 000	73 031	66	Furniture purchased in 2008/2009 year
	263 291	765 000	501 709		
<b>Total Assets</b>	<b>4 829 012</b>	<b>19 694 200</b>	<b>14 865 188</b>		

**APPENDIX F**

**MKHAMBATHINI MUNICIPALITY : DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

<b>Name of Grant</b>	<b>Name of organ of state or municipal entity</b>	<b>Unspent at 30.06.2007</b>	<b>Received 2008</b>	<b>Expended 2008</b>	<b>Unspent 30.06.2008</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Informal Settlement Water Supply Grant	Province of KZN	705 408	68 865		774 273
Rural Energy Study Grant	Province of KZN	154 595	15 092		169 687
Cemetery Feasibility Study Grant	Province of KZN	148 182	14 466		162 648
Transitional Grant	Province of KZN	400 826	39 131		439 957
Free Basic Service Grant	National	230 204	22 473		252 677
Integrated Development Planning Grant	Province of KZN	6 715		(6 716)	(1)
Management Assistance Programme	Province of KZN	887 916	77 509	(93 966)	871 459
Coprridor Development Grant	Province of KZN	-	1 042 743		1 042 743
SASA Grant	Province of KZN	35 135	1 731	(17 401)	19 465
Special Programme Grant	Province of KZN	106 695		(106 695)	0
Free Basic Electricity	National	142 127	12 861	(10 389)	144 599
Soul Buddies Grant	Province of KZN	10 894	1 063		11 957
Community Development Workers	Province of KZN	32 091	2 969	(1 675)	33 385
Tourism Grant	Province of KZN	-21 000			(21 000)
Municipal Infrastructure Grant	Province of KZN	618 349	2 286 505	(2 728 973)	175 881
M S I G Grant	Province of KZN	115 482	816 931		932 413
LUMS Grant	Province of KZN	-47 245		(6 218)	(53 463)
Anti corruption Grant	Province of KZN	23 522		(23 522)	0
Housing Grants	Province of KZN	54 079	886 527	(178 113)	762 493
Capacity Building Grant	Province of KZN	269 089	26 270		295 359
Property Rates Grant	Province of KZN	353 676	34 532		388 208
Financial Management Grant	Province of KZN	427 679	572 773	(182 248)	818 204
Monitoring Grant	Province of KZN	43 575	4 254		47 829
Monitoring Grant	Province of KZN	151 702	5 547	(94 880)	62 369
Town Planning Grant	Province of KZN	217 676	21 251		238 927
Performance Management System Grant	Province of KZN	3 162	309		3 471
Lotto Funding Grant	Province of KZN	659 252		(659 252)	0
MFMA Grant	National	16 908	1 651		18 559
Interdepartmental Grant	Province of KZN	70 268	6 859		77 127
HIV / AIDS Grant	Province of KZN	11 657	1 138		12 795
Internal Control	Province of KZN	63 890	1 458	(48 953)	16 395
Sports Grant	Province of KZN	-	356 728		356 728
Municipal Development Systems	Province of KZN	200 000	19 525		219 525
Organisational / Human Resources	Province of KZN	137 000	13 374		150 374
Internal Audit	Province of KZN	150 000	14 644		164 644
Performance Management	Province of KZN	50 000	4 881		54 881
KZN Housing	Province of KZN	122 500	11 959		134 459
L G Seta	Province of KZN	19 413	1 895		21 308
Local Government	Province of KZN	193 248	18 866		212 114
		<b>6 764 670</b>	<b>6 406 780</b>	<b>(4 159 001)</b>	<b>9 012 449</b>

**NOTES**

- 1.No grants were delayed or withheld
- 2.Conditions in terms of the Division of Revenue Act were complied with in all instance

## APPENDIX G

Financial reporting standard	Milestones to be achieved to comply with the standard	Amendment to milestone and or achievement of milestone	Person responsible	Estimate date of compliance
Accounting policies, changes in accounting estimates and errors  (GRAP 3)	Identify the impact of GRAP standards that have been issued but are not yet effective, and changes in accounting policies	N/A	CFO	Ongoing
Investment Property  (GRAP 16)	Already achieved (IAS 40 to be complied with in 2008/2009)	N/A	CFO	2008/2009
Property, Plant and Equipment  (GRAP 17)	Already achieved – except for review of useful lives	N/A	CFO	Mostly achieved – review of useful lives in 2008/2009
Intangible assets (GRAP 102)	Compliance with GRAP 102 and IAS 38	N/A	CFO	2008/2009
Financial Instruments: Disclosures (IFRS 7/AC 144)	A start will be made before June 2008 to comply	N/A	CFO	2008/2009
Income Taxes (IAS 12/AC 102)	A start will be made before June 2008 to comply	N/A	CFO	2008/2009
Employee benefits  (IAS 19/AC 116)	Already comply – except for defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans	N/A	CFO	Full compliance in 2008/2009
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	Compliance with IAS 20	N/A	CFO	2008/2009
Financial Instruments: Presentation (IAS 32/AC 125)	Compliance with IAS 32	N/A	CFO	2008/2009
Impairment of Cash-generating Assets (IAS 36/AC 128)	Compliance with IAS 36	N/A	CFO	2008/2009
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Compliance with IAS 39	N/A	CFO	2008/2009
Impairment of non-cash-generating Assets (IPSAS 21)	Compliance with IPSAS 21	N/A	CFO	2008/2009